

ORDER NO. 2063

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Global Plus 1C (MC2012-6)
Negotiated Service Agreement

Docket No. CP2014-40

ORDER APPROVING ADDITIONAL GLOBAL PLUS 1C
NEGOTIATED SERVICE AGREEMENT

(Issued April 23, 2014)

I. INTRODUCTION

The Postal Service seeks to include an additional Global Plus 1C agreement (Agreement) within the Global Plus 1C product.¹ For the reasons discussed below, the Commission approves the Postal Service's request.

II. BACKGROUND

The Postal Service filed its Notice on April 11, 2014. The Agreement is intended to take effect May 1, 2014. Notice at 3. It is set to expire March 31, 2015. *Id.* at 4.

¹ Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, April 11, 2014 (Notice).

In Order No. 2048, the Commission provided public notice of the Postal Service's filing; established the instant docket for consideration of the filing's consistency with applicable statutory policies and Commission regulations; appointed a Public Representative; and provided an opportunity to comment.² On April 21, 2014, Chairman's Information Request No. 1 (CHIR No. 1) was issued.³ On April 22, 2014, the Postal Service filed its response to CHIR No. 1 and clarified the rates, costs, and volumes associated with Global Express Guaranteed under the Agreement.⁴

III. COMMENTS

The Public Representative filed comments on April 18, 2014.⁵ No other comments were received.

Based upon a review of the Postal Service's filing, including the information filed under seal with the Commission, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreements. *Id.* at 2. Upon review of the financial models accompanying the Notice, the Public Representative concludes that the Agreement covers its costs and should maintain a similar cost coverage to agreements previously found to be functionally equivalent by the Commission. *Id.*

IV. COMMISSION ANALYSIS

The Commission's responsibilities in this case are to ensure that the Agreement: (1) is functionally equivalent to the baseline agreement; and (2) satisfies the requirements of 39 U.S.C. § 3633 and applicable Commission rules (39 C.F.R. §§ 3015.5 and 3015.7).

² Notice and Order Concerning Additional Global Plus 1C Negotiated Service Agreement, April 14, 2014 (Order No. 2048).

³ Chairman's Information Request No. 1, April 21, 2014.

⁴ Response of the United States Postal Service to Chairman's Information Request No. 1, April 22, 2014 (Response to CHIR No. 1).

⁵ Public Representative Comments on Request of the United States Postal Service to Add a Functionally Equivalent Global Plus 1C Negotiated Service Agreement, April 18, 2014 (PR Comments).

Functional equivalence. In Order No. 1151, the Commission added the Global Plus 1C product to the competitive product list and designated two agreements as baseline agreements for assessing the functional equivalence of agreements proposed for inclusion within the Global Plus 1C product.⁶

The Postal Service asserts that its filing demonstrates that the Agreement is functionally equivalent to the baseline agreements, and requests that the Agreement be included within the Global Plus 1C product. Notice at 3. It asserts that the Agreement fits within the draft Mail Classification Schedule language for the Global Plus 1C product. *Id.* The Postal Service also asserts that the Agreement and the baseline agreements possess similar cost and market characteristics and the same functional terms, but states that prices may differ. *Id.* at 5. The Postal Service identifies numerous differences between the Agreement and the baseline agreements, but asserts that these differences do not affect the fundamental service being offered or the fundamental structure of the Agreement.⁷

The Commission has reviewed the Postal Service's reasons for asserting that the Agreement shares similar cost and market characteristics with the baseline agreements; meets the pricing formula and falls within the classification established in the Governors' Decision authorizing this product; and comports with 39 U.S.C. § 3633 and applicable Commission rules. It also has considered the Public Representative's comments. The Commission concludes that the Agreement is substantially similar to the baseline agreements and that the differences between them do not fundamentally alter either the service the Postal Service will provide under the Agreement or the structure of the Agreement. The Commission therefore finds that the Agreement may be included within the Global Plus 1C product.

⁶ Docket Nos. MC2012-6, CP2012-12, and CP2012-13, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, January 19, 2012, at 8 (Order No. 1151).

⁷ Differences include, among others, revisions to existing articles, terminology changes, and the inclusion of new articles. *Id.* at 6-7.

Cost considerations. The Commission reviews competitive products to ensure they meet the applicable requirements of 39 U.S.C. § 3633 and 39 C.F.R. §§ 3015.5 and 3015.7. The Postal Service asserts that its filing demonstrates that the Agreement complies with the requirements of 39 U.S.C. § 3633. Notice at 8. The Commission has reviewed the Postal Service's filing, including supporting financial analyses provided under seal, and the Public Representative's comments. In addition, the Commission considered the Response to CHIR No. 1, which clarified the rates, costs, and volumes associated with the Global Express Guaranteed portion of the Agreement. Based on this review, the Commission finds that the Agreement should cover its attributable costs. 39 U.S.C. § 3633(a)(2). Additionally, it finds that the Agreement should not result in competitive products being subsidized by market dominant products, satisfying the requirements of 39 U.S.C. § 3633(a)(1). It also finds the Agreement should have a positive effect on the contribution of competitive products to institutional costs, in furtherance of 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Agreement indicates it is consistent with the section 3633(a) provisions applicable to rates for competitive products.

Other considerations. The contract is set to expire on March 21, 2015. Notice at 4. Upon termination of the Agreement by either party, the Postal Service shall promptly inform the Commission of this development and the date of termination. In addition, within 30 days of the termination of the Agreement, the Postal Service shall file costs, volumes, and revenues associated with the Agreement, including any penalties paid, disaggregated by weight and country group.

V. ORDERING PARAGRAPHS

It is ordered:

1. The Agreement filed in Docket No. CP2014-40 is included within the Global Plus 1C (MC2012-6) product. The revision to the Mail Classification Schedule appears below the signature of this Order and is effective immediately.

2. The Postal Service shall promptly notify the Commission of the date of termination if the Agreement is terminated early by either party.
3. Within 30 days of the termination of the Agreement, the Postal Service shall file costs, volumes, and revenues, including any penalties paid, disaggregated by weight and country group.

By the Commission.

Shoshana M. Grove
Secretary

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

PART B—COMPETITIVE PRODUCT LIST

2500 Negotiated Service Agreements

2510 Outbound International

2510.6 Global Plus Contracts

2510.6.6 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Global Plus 1C

Baseline Reference

Docket Nos. MC2012-6, CP2012-12, and CP2012-13

PRC Order No. 1151, January 19, 2012

Included Agreements

CP2014-40, expires March 31, 2015
